

Message Text

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ACTION IO-10

INFO OCT-01 AGR-05 RSC-01 AID-05 EB-07 AF-04 ARA-06 EA-06

EUR-12 NEA-06 COME-00 ISO-00 TRSE-00 SWF-01 OIC-02

OMB-01 L-02 SP-02 SSO-00 CIAE-00 INR-05 NSAE-00

INRE-00 PA-01 PRS-01 USIE-00 H-01 IGA-01 SS-15 NSC-05

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 8447

INFO AMEMBASSY CANBERRA

AMEMBASSY BUENOS AIRES

AMEMBASSY OTTAWA

USMISSION EC BRUSSELS

AMEMBASSY PARIS

AMEMBASSY BANGKOK

AMEMBASSY DACCA

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FODAG

CORRECTED COPY PARA 10 LINE 9

E.O. 11652: N/A

TAGS: FAO,EAID, EAGR, AORG

SUBJECT: SHORT-TERM CEREAL PROBLEM CONSULTATION

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PASS AGRICULTURE

1. SUMMARY MAJOR GRAIN EXPORTERS AND SEVEN IMPORTING COUNTRIES (INCLUDING THE FOUR MSAS WITH LARGEST UNCOVERED GRAIN NEEDS) AGREED THAT UNCOVERED MSA GRAIN REQUIREMENTS THROUGH JUNE, 1975 ARE ABOUT 7.5 MILLION TONS AND THAT UNCOMMITTED EXPORT AVAILABILITIES ARE SUFFICIENT TO MEET THIS DEMAND, AS WELL AS KNOWN NEEDS OF OTHER IMPORTING COUNTRIES. THE EXPORTING COUNTRIES AGREED THAT THEY MAY BE ABLE TO PROVIDE ONE-FOURTH TO ONE-THIRD OF THIS AMOUNT THROUGH THEIR FOOD AID PROGRAMS. THE LARGER PART WILL HAVE TO BE PURCHASED BY THE MSAS THEMSELVES OR BE FINANCED IN OTHER WAYS AND BY OTHER DONORS. A DECEMBER 4 INTER-AGENCY UN MEETING WILL CONSIDER THE FOOD REQUIREMENTS OF THE MSA IN THE CONTEXT OF THEIR OVERALL FINANCIAL REQUIREMENTS. THE FAO IN COOPERATION WITH THE INTERNATIONAL WHEAT COUNCIL WILL MONITOR WORLD SUPPLY/DEMAND FOR CEREALS, WITH PARTICULAR REFERENCE TO THE MSAS. END SUMMARY.

2. PARTICIPATION. EXPORTERS: US, AUSTRALIA, ARGENTINA, CANADA, EEC, FRANCE, THAILAND. IMPORTERS: BANGLADESH, INDIA, PAKISTAN, TANZANIA, BRAZIL, EGYPT, JAPAN. INTERNATIONAL AGENCIES: UNEO (PREBISCH), IMF, IBRD, UN, LIAISON OFFICER TO FAO, INTERNATIONAL WHEAT COUNCIL AND WORLD FOOD PROGRAM. USSR AND PRC DID NOT ATTEND.

3. UNCOVERED CEREAL REQUIREMENTS OF MOST SERIOUSLY AFFECTED COUNTRIES (MSAS) THROUGH JUNE 1975. ON BASIS DATA PREPARED BY FAO AND WHEAT COUNCIL, CONSENSUS DEVELOPED FAIRLY QUICKLY THAT UNCOVERED IMPORT REQUIREMENTS OF MSS ARE APPROXIMATELY 7.5 MILLION TONS, OF WHICH 5.5 WHEAT, 1.4 COARSE GRAINS AND 0.6 RICE. OF MSAS REPRESENTED, INDIA'S UNCOVERED NEEDS PUT AT 2.5 MILLION TONS, BANGLADESH 1.1, PAKISTAN 0.9, TANZANIA 0.3. BANGLADESH REP HAD ARGUED FOR 1.6 MILLION TON FIGURE TO INCLUDE RESERVE OF 500,000 TONS.

4. UNCOMMITTED AVAILABILITIES. WHEAT COUNCIL DATA SHOWED 6.1 MILLION TONS WHEAT AVAILABLE FOR MSAS (VS. REQUIREMENTS 5.5 MILLION TONS) AFTER ALLOWING FOR FURTHER ANTICIPATED IMPORTS DCS AND OTHER LDCS. BULK OF THIS IS US. USDEL ESTIMATED OFFICIAL USE

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MAILED US UNCOMMITTED COARSE GRAIN (CORN) AVAILABILITY AT ABOUT 3.0 MILLIONS TONS AND RICE AT 1.2 MILLION TONS. PRESSED ON CORN AVAILABILITY, USDEL STATED THAT EXPORTS NOT EXPECTED EXCEED 21 MILLION TONS OF WHICH 7 MILLION EACH TO EEC AND JAPAN.

5. ENSURING MSA ACCESS TO SUPPLIES. HAVING REACHED AGREEMENT THAT AVAILABILITIES ARE ADEQUATE TO MEET MSA REQUIREMENTS THROUGH JUNE, FAO DIRECTOR GENERAL BOERMA ASKED IF EXPORTERS

WERE IN POSITION MAKE "MORAL COMMITMENT" TO EARMARK OR OTHERWISE RESERVE THE NECESSARY AMOUNTS UNTIL FINANCING COULD BE FOUND. AUSTRALIA (SWIFT) REFLECTED BELIEF ALL EXPORTERS THAT ANY MENTION EARMARKING IN FINAL STATEMENT WOULD NOT BE HELPFUL, BUT RATHER CAUSE UNCERTAINTY AND DISRUPTION IN GRAIN MARKETS. BOERMA DID NOT PRESS ISSUE.

6. LOGISTICS. FOLLOWING LUNCH, BOERMA RAISED NEED FOR COORDINATION OF FOOD SHIPMENTS TO MAJOR SBHORTFALL MSAS. HE USED BANGLADESH AS PRIME EXAMPLE AND SEEMED TO BE SUGGESTING THAT WORLD FOOD PROGRAM (WFP) SHOULDPLAY SAHEL-RELIEF TYPE ROLE THERE. THIS STRONGLY SUPPORTED BY WFP REP PRESENT. USDEL POINTED OUT THAT MOST US FOOD AID TO BANGLADESH IS TITLE I AND THEREFORE RESPONSIBILITY FOR ARRANGING AND TIME OF SHIPMENTS RESTS PRIMARILY ON BANGLADESH.

7. FINANCING. FOUR MSAS PRESENT STATED THEY WERE NOT IN A POSITION PURCHASE COMMERCIALY ANY OF UNCOVERED AMOUNTS NEEDED THROUGH JUNE. FAO SECRETARIAT POINTED OUT THAT THE MSAS TO DATE HAD PURCHASED COMMERCIALY APPROXIMATELY 50 PERCENT OF THEIR TOTAL 74/75 CEREAL REQUIREMENTS AND THAT THE COST INCLUDING FREIGHT OF THE UNCOVERED 7.5 MILLIONS TONS WOULD BE ABOUT \$1.8 BILLION.

ALL EXPORTERS EMPHASIZED THAT FOOD COSTS SHOULD BE VIEWED IN CONTEXT OVERALL FOREIGN EXCHANGE REQUIREMENTS OF MSAS, NOT AS DISCRETE ELEMENT FOR WHICH EXPORTERS HAD WHOLE OR EVEN PREDOMINANT RESPONSIBILITY. AT THIS POINT PREBISCH (UNEO) DESCRIBED UN SPECIAL FUND, POINT OUT THAT CASH CONTRIBUTIONS HAVE PARTICULAR UTILITY IN BUYING OR SHIPPING FOOD ON AN URGENT BASIS. HE CONCLUDED WITH STATEMENT THAT NEW APPEAL IS "ABSOLUTELY NECESSARY."

8. CANADA REPEATED 1 MILLION TON PER ANNUM PLEDGE MADE AT WORLD FOOD CONFERENCE. USDEL STATED THAT PERHAPS 1 MILLION LIMITED OFFICIAL USE

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TONS, ADDITIONAL TO THAT ALREADY COMMITTED, COULD BE MADE AVAILABLE TO THE MSAS THIS FISCAL YEAR. IT ALSO STATED THAT, SUBJECT TO CONGRESSIONAL APPROVAL, TOTAL US AID TO MSAS IN FY-75 WOULD BE \$1 BILLION BUT THAT THIS WOULD GO THROUGH TRADITIONAL CHANNELS, NOT UNEO. AUSTRALIA SAID IT HOPED TO INCREASE FOOD AID 375,000 TONS THIS YEAR (FROM 225,000). EEC PUT ITS FOOD AID TARGET AT 1.5 MILLIONS TONS BUT DID NOT INDICATE HOW MUCH OF THIS WOULD BE ADDITIONAL TO WHAT HAS ALREADY BEEN INCLUDED IN MSA RECEIPTS/REQUIREMENTS DATA. ARGENTINA DID NOT MAKE ANY COMMITMENTS BEYOND ITS FOOD AID CONVENTION QUOTA (23,000)TONS). JAPAN SIAD IT WILL MAKE CONTRIBUTION TO UNEO FOR HUMANITARIAN FOOD AID.

9. FURTHER CONSULTATIONS. AGREEMENT QUICKLY REACHED THAT FAO IN COOPERATION WITH WHEAT CUNCIL SHOULD HAVE RESPONSIBILITY

FOR MONITORING CEREAL SUPPLY/DEMAND SITUATION, AND THAT PROBLEM OF FINANCING MSA REQUIREMENTS SHOULD BE REFERRED TO UN INTER-AGENCY MEETING DECEMBER 4, AT WHICH UNEO WILL BE DISCUSSED.

10. FINAL STATEMENT. WHEREAS MORNING AND EARLY AFTERNOON DISCUSSIONS PROCEEDED WITH RELATIVE HARMONY, LATE AFTERNOON AND EVENING PORTIONS, MUCH OF WHICH DEVOTED TO FINAL STATEMENT, MARKED BY SOME TENSION BETWEEN EXPORTERS AND BOERMA, EXPORTERS AND MSA IMPORTERS, AND AMONG EXPORTERS. PRINCIPAL ISSUES WERE HOW EXPLICITLY TO LIST EXPORTERS'S ADDITIONAL FOOD AID POTENTIALS AND THE PROPOSAL FOR A NEW APPEAL. ON FIRST, BOERMA, MSAS, AND EEC WANTED TO ATTACH NUMBERS TO EACH EXPORTING COUNTRY (E.G. US, 1 MILLION TONS ADDITIONAL). FINAL FORMULA STATED THAT EXPORTING COUNTRIES "HAD THE POSSIBILITY OF PROVIDING ONE-FOURTH TO ONE-THIRD OF THE MSA'S IMPORT REQUIREMENTS (THE 7.5 MILLION TONS) THROUGH THEIR FOOD AID PROGRAMS." USDEL ARGUED FOR ONE-FOURTH, BOERMA FOR ONE-THIRD. BOERMA, PREBISCH AND MSAS WANTED NEW APPEAL. AGREZZASA WAS FOR FAO DIRECTOR-GENERAL TO TRANSMIT A REPORT ON THE MEETING TO UN SECRETARY GENERAL AND TO DISCUSS WITH HIM "WAYS AND MEANS OF PROVIDING ADDITIONAL ASSISTANCE TO THE MSAS, INCLUDING AN APPROACH TO TRADITIONAL AS WELL AS NEW DONORS."

11. IN RESPONSE TO BOERMA'S REQUEST FOR EXPORTER ASSURANCES OF SUPPLY TO MSAS, EXPORTERS AGREED ON FOLLOWING LANGUAGE: "THE EXPORTING COUNTRIES CONFIRMED THAT THEY HAVE THE MEANS LIMITED OFFICIAL USE

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TO KEEP A CLOSE WATCH ON THE DESTINATIONS AND QUANTITIES OF GRAIN EXPORTS. THESE PROCEDURES SHOULD HELP TO ENSURE THAT THE AVAILABLE EXPORTABLE SUPPLIES REQUIRED FOR IMMEDIATE HUMAN CONSUMPTION IN IMPORTING COUNTRIES ARE NOT DIRECTED INTO UNNECESSARY STOCK-BUILDING OR LESS ESSENTIAL USES, AND THAT THE URGENT NEEDS OF MSA COUNTRIES ARE NOT PREJUDICED." VOLPE

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